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ALVORD AND ALVORD
ATTORNEYS AT LAW
918 SIXTEENTH STREET, N.W.
SUITE 200
WASHINGTON, D.C.
20006-2973
(202) 393-2266
FAX (202) 393-2156

ELIAS C. ALVORD (1942)
ELLSWORTH C. ALVORD (1964)

OF COUNSEL
URBAN A. LESTER

July 15, 1994

18898
RECORDATION NO. _____ FILED 1425

JUL 15 1994 - 10 10 AM

Mr. Sidney L. Strickland, Jr.
Secretary
Interstate Commerce Commission
Washington, DC 20423

INTERSTATE COMMERCE COMMISSION

Dear Mr. Strickland:

Enclosed pursuant to the provisions of 49 U.S.C. Section 11303(a) are two (2) executed copies of a Security Agreement, dated July 15, 1994, a primary document as defined in the Commission's Rules for the Recordation of Documents under 49 C.F.R. Section 1177.

The names and addresses of the parties to the enclosed document are:

Debtors: Glenn Monhart d/b/a
Railway Equipment Associates
8000 S. Madison
Burr Ridge, Illinois 60521

The Janesville & Southeastern Railway Co.
209 S. Pearl Street
Janesville, Wisconsin 53543

Secured Party: ITT Small Business Finance Corporation
2055 Craigshire Road
St. Louis, Missouri 63146

A description of the railroad equipment covered by the enclosed document is attached hereto as Schedule A.

Enclosed Mr. Strickland

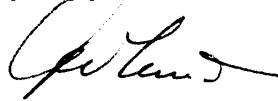
counterparts

Mr. Sidney L. Strickland, Jr.
July 15, 1994
Page 2

Also enclosed is a check in the amount of \$18.00 payable to the order of the Interstate Commerce Commission covering the required recordation fee.

Kindly return one stamped copy of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. Alvord", written in dark ink.

Robert W. Alvord

RWA/bg
Enclosures

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

JULY 15, 1994

ROBERT W. ALVORD
ALVORD & ALVORD
918 16TH ST., NW SUITE 200
WASHINGTON DC 20006-2973

Dear MR. ALVORD:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 7/15/94 at 10:10AM, and assigned recordation number(s). 18898

Sincerely yours,

Sidney L. Strickland, Jr.
Secretary

Enclosure(s)

\$ 18.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one stamped on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature

Isledia M. Stokes

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RECORDATION NO. _____ FILED 1425
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INTERSTATE COMMERCE COMMISSION
U.S. Small Business Administration
SECURITY AGREEMENT

1. Glenn Monhart DBA Railway Equipment Associates and The Janesville & Southeastern Railway, Co., a Wisconsin corporation, Co-Borrowers, 8000 S. Madison, Burr Ridge, IL 60521 and 209 S. Pearl Street, Janesville, WI 53543 (hereinafter called "Debtor") for value received, hereby grants to ITT Small Business Finance Corporation, 2055 Craigshire Road, St. Louis, MO 63146 (hereinafter called "Secured Party"), a security interest in the property described below (hereinafter collectively called "Collateral") to secure the payment of the principal and interest on and all obligations under a note (hereinafter called the "Note"), dated July 15, 1994, of the Debtor payable to the order of the Secured Party, in the principal amount of Two Hundred Four Thousand and No/100 (\$204,000.00), all renewals and extensions of the Note, and all costs, expenses, advances and liabilities which may be made or incurred by Secured Party in the disbursement, administration and collection of the loan evidenced by the Note and in the protection, maintenance and liquidation of the security interest hereby granted with interest at the maximum legal rate on such costs, expenses, advances and liabilities. The Note and all other obligations secured hereby are herein collectively called the "Liabilities."

2. The Collateral in which this interest is granted is all of the Debtor's property described below in reference to which an "X" or check-mark has been placed in the box applicable thereto, together with all proceeds and products therefrom. If two such boxes are so marked, the security interest so designated secures the purchase money from the loan used by the Debtor to acquire title to the Collateral.

- \ \ \X\ a. All equipment and machinery, including power-driven machinery and equipment, furniture and fixtures now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts and tools belonging thereto or for use in connection therewith.
- \ \ \X\ b. All passenger and commercial motor vehicles registered for use upon public highways or streets, and all rolling stock now owned or hereafter acquired, together with all replacements thereof, all attachments, accessories, parts, equipment and tools belonging thereto or for use in connection therewith, including but not limited to: (i) FP7 Passenger Unit Road Number 96A1 (ii) BL2 Freight Unit Road Number 52 (iii) E3 Passenger Unit Road Number 501 (iv) F7B Freight Unit Road Number 102 (v) F7 Freight Unit Road Number 106 (vi) F7 Freight Unit Road Number 901 and (vii) BL2 Freight Unit

Road Number 56.

- \ \ \X\ c. All inventory, raw materials, work in process and supplies now owned or hereafter acquired.
- \ \ \X\ d. All accounts receivable now outstanding or hereafter arising.
- \ \ \X\ e. All contract rights, instruments, chattel paper and general intangibles now owned or hereafter acquired.
- \ \ \X\ f. All goods, documents, accounts, now owned and hereafter acquired.
- \ \ \X\ g. The proceeds of all of the above and foregoing Collateral, as listed in Subparagraphs 2.a. through 2.f.

3. Debtor shall not transfer, sell or assign Debtor's interest in the Collateral nor permit any other security interest to be created thereon without Secured Party's prior written approval, except that Debtor may sell the inventory listed in Paragraph 2.c. hereof in the ordinary course of business on customary terms and at usual prices and may collect as Secured Party's agent sums due on accounts receivable and contract rights listed in Paragraphs 2.d. and 2.e. until advised otherwise by Secured Party.

4. Debtor shall keep, store or regularly garage all Collateral at locations approved by Secured Party in writing.

5. Debtor shall not conduct business under any other name than that given above nor change or reorganize the type of business entity under which it does business except upon prior written approval of Secured Party. If such approval is given, Debtor guarantees that all documents, instruments and agreements demanded by Secured Party shall be prepared and filed at Debtor's expense before such change of name or business entity occurs.

6. Debtor shall pay the filing and recording costs of any documents or instruments necessary to perfect, extend, modify, or terminate the security interest created hereunder, as demanded by Secured Party.

7. Debtor shall maintain all Collateral in good condition, pay promptly all taxes, judgments, or changes of any kind levied or assessed thereon, keep current all rent due on premises where Collateral is located, and maintain insurance on all Collateral against such hazards, in such amounts and with such companies as Secured Party may demand, all such insurance policies to be in the possession of Secured Party and to contain a Lender's Loss Payable Clause naming Secured Party in a manner satisfactory to Secured

Party. Debtor hereby assigns to Secured Party any proceeds of such policies and all unearned premiums thereon, and authorizes and empowers Secured Party to collect such sums and to execute and endorse in Debtor's name all proofs of loss, drafts, checks and any other documents necessary to accomplish such collections, and any persons or entities making payments to Secured Party under the terms of this Paragraph are hereby relieved absolutely from any obligation to see to the application of any sums so paid.

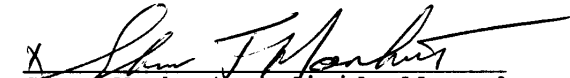
8. Debtor shall be in default hereunder if Debtor fails to perform any of the liabilities imposed hereby or any other obligations required by the various instruments or papers evidencing or securing this loan, or if the full balance of the loan becomes immediately payable under the terms of such instruments, either automatically or by declaration of the Secured Party. In the event of any default, Secured Party may, in its own discretion, cure such default and, if it does so, any expenditures made for such purpose shall be added to the principal of the Note.

9. In the event of default, Debtor shall assemble and make available all Collateral at any place designated by Secured Party. Debtor acknowledges being advised of a constitutional right to a court notice and hearing to determine whether, upon default, there is probable cause to sustain the validity of the Secured Party's claim and whether the Secured Party is entitled to possession of the Collateral and being so advised, Debtor hereby voluntarily gives up, waives and surrenders any right to a notice and hearing to determine whether there is probable cause to sustain the validity of Secured Party's claim. Any notices required pursuant to any state or local law shall be deemed reasonable if mailed by Secured Party to the persons entitled thereto at their last known addresses at least ten days prior to disposition of the Collateral, and, in reference to a private sale, need state only that Secured Party intends to negotiate such a sale. Disposition of Collateral shall be deemed commercially reasonable if made pursuant to a public offering advertised at least twice in a newspaper of general circulation in the community where the Collateral is located or by a private sale for a sum equal to or in excess of the liquidation value of the Collateral as determined by Secured Party.

10. All rights conferred on Secured Party hereby are in addition to those granted to it by any state or local law or any other law. Failure or repeated failure to enforce any rights hereunder shall not constitute an estoppel or waiver of Secured Party's rights to exercise such rights accruing prior or subsequent thereto. Secured Party shall not be liable for any loss to Collateral in its

possession, nor shall such loss diminish the debt due, even if the loss is caused or contributed to by Secured Party's negligence.

IN WITNESS WHEREOF, the Debtor has executed this Security Agreement
July 15, 1994.

X 
Glenn Monhart, individually and
DBA Railway Equipment
Associates

The Janesville & Southeastern
Railway, ~~Inc.~~^{Co.}, a Wisconsin
corporation

NO SEAL
(Corporate Seal)

By: X 
Glenn Monhart, President and
Secretary

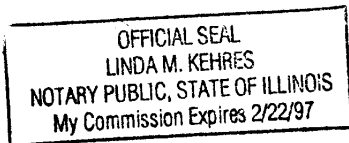
(CORPORATE - 2 OFFICERS)

STATE OF Illinois)
COUNTY OF Will) SS.

I, Linda M. Kehres, a Notary Public in and for said County, in the State aforesaid, do hereby certify that on this day personally appeared before me, Glenn Monhart and personally known to me to be the same person whoses names are subscribed to the foregoing instrument, as the President and Secretary of the Janesville & Southeastern Railway, Inc., an Wisconsin corporation, acknowledged that the signed, sealed, and delivered the said instrument as their free and voluntary act and deed, for the uses and purposes therein set forth, and that the seal affixed to the foregoing instrument is the corporate seal and the said instrument was signed, sealed, and delivered in the name and in behalf of said corporation by the authority of its stockholders and Board of Directors as the free and voluntary act of said corporation for the uses and purposes set forth.

GIVEN under my hand and notarial seal this 15th day of JULY, 1994.

(NOTARIAL SEAL)



Linda M Kehres
Notary Public
My Commission Expires: 2/22/97